

APPOINTMENTS

The table below illustrates the levels of hierarchy of appointments that took place during the financial year.

| LEVEL | TOP MANAGEMENT |
|-------------------|----------------|
| Top Management | 04 |
| Middle Management | 06 |
| Lower Management | 08 |
| | |

OVERTIME

Overtime is regulated by the Basic Conditions of Employment Act. The use of overtime is only when there are temporary staff shortages. In times of need temporary staff is hired without having to employ more permanent personnel.

Employment equity is applied to reflect the diversity of the community. Both employment equity and affirmative action policies are applied, affirmative action being a labour market policy aimed at redressing past imbalances that are a direct result of discrimination and employment equity being a labour market policy aimed at preventing future discrimination.

eDUMBE MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2009



I am responsible for the preparation of these annual financial statements which are set out on pages 1-26, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 17 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

A handwritten signature in black ink, appearing to read 'A.M.T Putini', is written over a horizontal line.

Mr. A.M.T Putini
Municipal Manager

Date

| eDUMBE MUNICIPALITY | | | | | | | | | |
|---|--|------|--|--|--|-------------------|--|-------------------|--|
| STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009 | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | 2009 | | 2008 | |
| | | | | | | R | | R | |
| | | Note | | | | | | | |
| NET ASSETS AND LIABILITIES | | | | | | | | | |
| Net Assets | | | | | | 46 855 296 | | 43 585 958 | |
| Housing development account | | | | | | 100 348 | | 100 348 | |
| Revaluation reserve | | | | | | 3 734 859 | | 3 514 796 | |
| Capitalisation reserve | | | | | | 11 081 877 | | 11 081 877 | |
| Government grant reserve | | | | | | 26 227 798 | | 17 255 745 | |
| Accumulated surplus/ (deficit) | | | | | | 5 710 415 | | 11 633 192 | |
| Non - Current Liabilities | | | | | | 600 000 | | - | |
| Long - term liabilities | | 1 | | | | 600 000 | | - | |
| Current Liabilities | | | | | | 26 111 435 | | 20 143 356 | |
| Consumer deposits | | 2 | | | | 165 082 | | 144 097 | |
| Provisions | | 3 | | | | 657 559 | | 259 033 | |
| Creditors | | 4 | | | | 21 906 559 | | 15 464 729 | |
| Unspent conditional grants and receipts | | 5 | | | | 927 953 | | 1 914 040 | |
| Vat | | 11 | | | | 478 668 | | 788 756 | |
| Bank Overdraft | | 19 | | | | 1 975 615 | | 1 572 701 | |
| Suspense | | | | | | | | | |
| Total Net Assets and Liabilities | | | | | | 73 566 731 | | 63 729 314 | |
| ASSETS | | | | | | | | | |
| Non - Current Assets | | | | | | 36 500 206 | | 32 328 907 | |
| Property, plant and equipment | | 6 | | | | 36 464 634 | | 32 226 665 | |
| Intangible assets | | 26 | | | | 35 573 | | 91 460 | |
| Long - term receivables | | 7 | | | | - | | 10 782 | |
| Current Assets | | | | | | 37 066 524 | | 31 400 407 | |
| Inventories | | 8 | | | | 226 086 | | 57 135 | |
| Consumer debtors | | 9 | | | | 28 971 811 | | 25 401 542 | |
| Other debtors | | 10 | | | | 6 588 979 | | 4 385 621 | |
| Cash at Bank | | 19 | | | | 1 279 648 | | 1 556 109 | |
| Total Assets | | | | | | 73 566 731 | | 63 729 314 | |

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|---|-------------|-------------------|-------------------|
| eDUMBE MUNICIPALITY | | | |
| STATEMENT OF FINANCIAL PERFORMANCE | | | |
| FOR THE YEAR ENDED 30 JUNE 2009 | | | |
| | | | |
| | | 2009 | 2008 |
| | Note | R | R |
| REVENUE | | | |
| Government grants and subsidies | 14 | 16 295 717 | 21 753 131 |
| Service charges | 13 | 5 498 133 | 4 275 417 |
| Rates income | | 14 077 820 | 13 036 958 |
| Refuse Removal | | 1 183 118 | |
| Other services/ levies | | 2 698 742 | 2 720 004 |
| Rental income | | 716 007 | 235 132 |
| Interest earned | | 122 652 | 716 512 |
| Total Revenue | | 40 592 189 | 42 737 154 |
| EXPENDITURE | | | |
| Employee related costs | 15 | 16 926 164 | 13 504 927 |
| Remuneration of councillors | 16 | 2 555 534 | 2 600 032 |
| General expenses | | 8 534 304 | 5 208 643 |
| Audit Fee | | | 664 994 |
| Grants and subsidies paid | | 1 232 691 | 1 420 155 |
| Electricity purchases | | 5 457 906 | 3 525 263 |
| Bad debts | | 7 242 522 | 2 152 776 |
| Legal fees | | 252 830 | 163 494 |
| Contract services | | 0 | 426 816 |
| Repairs and maintenance | | 2 827 186 | 2 562 445 |
| Depreciation | | 701 978 | 1 747 683 |
| Loss on sale of asset | | | 8 662 482 |
| Total Expenditure | | 45 731 114 | 42 639 710 |
| (DEFICIT)/SURPLUS | | -5 138 928 | 97 444 |
| Refer to appendix E(1) for the comparison with the approved budget. | | | |
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| eDUMBE MUNICIPALITY | | | | | | | | | |
|--|--------------------|--------------------------|-----------------------------|------------------------|--------------------------|---------------------|--------------------------------|------------|--|
| STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2009 | | | | | | | | | |
| | Reserves and Funds | Housing Development Fund | Capital Replacement Reserve | Capitalisation Reserve | Government Grant Reserve | Revaluation Reserve | Accumulated Surplus/ (Deficit) | Total | |
| | R | | R | | R | | R | R | |
| 2008 | | | | | | | | | |
| Opening balance as previously reported | -11 633 192 | 100 348.00 | 0 | 11 081 877 | 17 255 745 | 3 514 796 | 11 633 192 | 31 952 765 | |
| Correction of error in prior year (Note 26.1) | 11 633 192 | 0 | | 0 | 0 | 0 | 0 | 11 633 192 | |
| Correction of error in prior year (Note 26.2) | | | | | | | | 0 | |
| | | | | | | | | 0 | |
| Balance as at 1 July 2008 as restated | 0 | 100 348 | 0 | 11 081 877 | 17 255 745 | 3 514 796 | 11 633 192 | 43 585 958 | |
| 2009 | | | | | | | | | |
| Deficit for the year | | | | | | | -5 138 928 | -5 138 928 | |
| Disposals for the year | | | | | 50 000 | 17 497 | 288 707 | 356 204 | |
| Transfer to CRR | | | | | | | 0 | 0 | |
| PPE Purchased | | | | | 374 121 | 202 566 | 43 953 | 620 640 | |
| Capital grants used to purchase PPE | | | | | 4 336 005 | | -4 336 005 | 0 | |
| Capital grants used for capital under construction | | | | | 3 961 885 | | -3 961 885 | 0 | |
| Offsetting of depreciation | | | | | 250 043 | | -250 043 | 0 | |
| Other adjustments | | | | | | | 7 098 890 | 7 098 890 | |
| Prior year adjustments (Note 17) | | | | | | | 332 533 | 332 533 | |
| Balance at 30 June 2009 | 0 | 100 348 | 0 | 11 081 877 | 26 227 798 | 3 734 859 | 5 710 415 | 46 855 297 | |

| | | | |
|--|-------------|--------------------|--------------------|
| eDUMBE MUNICIPALITY | | | |
| CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009 | | | |
| | | | |
| | Note | 2009 | 2008 |
| | | R | R |
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Cash receipts for ratepayers, government and other | | 40 592 189 | 25 957 943 |
| Cash paid to suppliers and employees | | 36 876 643 | 27 450 308 |
| Cash generated from /(utilised in) operations | 18 | 3 715 546 | (1 492 365) |
| Interest received | | 122 652 | 716 512 |
| NET CASH FROM/ (Utilised In) OPERATING ACTIVITIES | | 3 838 198 | (775 853) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | (4 582 525) | (8 180 947) |
| Decrease in non-current receivables | | 10 782 | 15 027 |
| NET CASH UTILISED IN INVESTING ACTIVITIES | | (4 571 743) | (8 165 920) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Increase/(Decrease) in consumer deposits | | 20 985 | (17 460) |
| NET CASH FROM/(UTILISED IN) FINANCING ACTIVITIES | | 20 985 | (17 460) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | (712 559) | (8 959 233) |
| Cash and cash equivalents at the beginning of the year | | (16 592) | 8 942 641 |
| Cash and cash equivalents at the end of the year | 19 | (695 967) | (16 592) |
| | | (712 559) | 8 959 233 |
| | | | |
| | | | |

| | | | | | | | | | |
|-----|---|--|--|--|--------------|-------------------------|--|--------------|--|
| 4.2 | Government Grant Reserve | | | | | | | | |
| | <p>When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/ (deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by the National Treasury.</p> <p>When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/ (deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/ (deficit).</p> <p>When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/ (deficit).</p> | | | | | | | | |
| 5 | PROPERTY, PLANT AND EQUIPMENT | | | | | | | | |
| | <p>Property, plant and equipment is stated at cost less accumulated depreciation. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an infinite life.</p> | | | | | | | | |
| | <p>The municipality did not review the useful life or the depreciation method used on the assets recognised in the annual financial statements for 2007/ 2008 financial year due to the exemption granted in Gazette 30013. A narrative is included in the notes to the financial statements where there is reason to believe that an item of property, plant and equipment needs to be impaired which is in line with the Government Gazette 30013, and hence no impairment losses have been recognised.</p> | | | | | | | | |
| | <p>Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.</p> | | | | | | | | |
| | <p>Depreciation is calculated on cost, using the straight - line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-</p> | | | | | | | | |
| | | | | | <u>Years</u> | | | <u>Years</u> | |
| | Land and Buildings | | | | | Other | | | |
| | Buildings | | | | 30 | Audio visual | | 3 | |
| | | | | | | Bins and containers | | 5 | |
| | Infrastructure | | | | | Computer equipment | | 5 | |
| | | | | | | Computer software | | 3 | |
| | Roads | | | | 10 | Fire equipment | | 5 | |
| | | | | | | Furniture and fittings | | 5-10 | |
| | Community | | | | | Medical equipment | | 5 | |
| | Recreational facilities | | | | 20 | Office equipment | | 5-10 | |
| | Security measures | | | | 3-5 | Tools and equipment | | 3 | |
| | | | | | | Plant and equipment | | 5-10 | |
| | | | | | | Vehicles, Tractors etc. | | 7 | |
| | <p>The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.</p> | | | | | | | | |
| | <p>Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.</p> | | | | | | | | |
| | <p>Any items of property, plant equipment that should be recognised and disclosed as inventory has not been done. Instead a narrative is included in the notes if any items of property, plant and equipment could include inventory. This is in line with the exemptions provided in Government Gazette 30013.</p> | | | | | | | | |
| | <p>Any items of property, plant equipment that should be recognised and disclosed as investment property has not been done. Instead a narrative is included in the notes if any items of property, plant and equipment could include investment property. This is in line with the exemptions provided in Government Gazette 30013.</p> | | | | | | | | |
| 6 | INVESTMENTS | | | | | | | | |
| | <p>Financial instruments, which include fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.</p> | | | | | | | | |
| | <p>On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.</p> | | | | | | | | |